

**SANTA ROSA COUNTY, FLORIDA
CIVIL SERVICE BOARD**

FINANCIAL STATEMENTS

SEPTEMBER 30, 1998

**SANTA ROSA COUNTY, FLORIDA
CIVIL SERVICE BOARD**

FINANCIAL STATEMENTS

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CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	2
SPECIAL PURPOSE FINANCIAL STATEMENTS	
Combined Balance Sheet - All Fund Types and Account Groups	3
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	4
Notes to Financial Statements	5
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	11
MANAGEMENT LETTER	14



INDEPENDENT AUDITOR'S REPORT

Civil Service Board
Santa Rosa County, Florida

We have audited the accompanying special purpose financial statements of the Civil Service Board of Santa Rosa County, Florida (hereinafter referred to as "Civil Service Board"), as of and for the year ended September 30, 1998, as listed in the table of contents. These special purpose financial statements are the responsibility of the Civil Service Board's management. Our responsibility is to express an opinion on these special purpose financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall special purpose financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, requires disclosure of certain matters regarding the year 2000 issue. The Civil Service Board has included such disclosures in Note H. Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Accordingly, insufficient audit evidence exists to support the Civil Service Board's disclosures with respect to the year 2000 issue made in Note H. Further, we do not provide assurance that the Civil Service Board is or will be year 2000 ready, that the Civil Service Board's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Civil Service Board does business will be year 2000 ready.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding year 2000 disclosures, the special purpose financial statements referred to above present fairly, in all material respects, the financial position of the Civil Service Board, as of September 30, 1998, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 1999 on our consideration of the Civil Service Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts.

O'Sullivan Hicks Patton, LLP

February 11, 1999



**Santa Rosa County, Florida
Civil Service Board**

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

September 30, 1998

	Governmental Fund Type	Account Groups		Totals (Memorandum Only)
	General Fund	General Fixed Assets	General Long-Term Debt	
ASSETS AND OTHER DEBITS				
Cash	\$ 15,796	\$ --	\$ --	\$ 15,796
Accounts receivable	25	--	--	25
Fixed assets	--	84,083	--	84,083
Amount to be provided for accumulated leave	--	--	34,569	34,569
Total assets	<u>\$ 15,821</u>	<u>\$ 84,083</u>	<u>\$ 34,569</u>	<u>\$ 134,473</u>
LIABILITIES				
Accounts payable	\$ 13,325	\$ --	\$ --	\$ 13,325
Annual and sick leave	--	--	34,569	34,569
Due to other governments	2,496	--	--	2,496
Total liabilities	<u>15,821</u>	<u>--</u>	<u>34,569</u>	<u>50,390</u>
FUND EQUITY AND OTHER CREDITS				
Investment in general fixed assets	--	84,083	--	84,083
Fund balance - unreserved and undesignated	--	--	--	--
Total fund balance and other credits	<u>--</u>	<u>84,083</u>	<u>--</u>	<u>84,083</u>
Total liabilities, fund equity and other credits	<u>\$ 15,821</u>	<u>\$ 84,083</u>	<u>\$ 34,569</u>	<u>\$ 134,473</u>

The accompanying notes are an integral part of these financial statements.

**Santa Rosa County, Florida
Civil Service Board**

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND**

For the year ended September 30, 1998

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Miscellaneous	\$ --	\$ 669	\$ 669
Total revenues	<u>--</u>	<u>669</u>	<u>669</u>
EXPENDITURES			
Current			
General government			
Personal services	214,685	217,583	(2,898)
Operating	127,479	111,537	15,942
Capital outlay	4,140	15,357	(11,217)
Total expenditures	<u>346,304</u>	<u>344,477</u>	<u>1,827</u>
Excess (deficiency) of revenues over expenditures	<u>(346,304)</u>	<u>(343,808)</u>	<u>2,496</u>
OTHER FINANCING SOURCES (USES)			
Appropriations - BOCC and School Board	346,304	346,304	--
Excess fees - BOCC and School Board	<u>--</u>	<u>(2,496)</u>	<u>(2,496)</u>
Total other financing sources (uses)	<u>346,304</u>	<u>343,808</u>	<u>(2,496)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other uses	<u>--</u>	<u>--</u>	<u>--</u>
FUND BALANCE, BEGINNING OF YEAR	<u>--</u>	<u>--</u>	<u>--</u>
FUND BALANCE, END OF YEAR	<u><u>\$ --</u></u>	<u><u>\$ --</u></u>	<u><u>\$ --</u></u>

The accompanying notes are an integral part of these financial statements.

**Santa Rosa County, Florida
Civil Service Board**

NOTES TO FINANCIAL STATEMENTS

September 30, 1998

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the financial statements follows.

1. Organization

The Civil Service Board, located in Santa Rosa County, Florida, was created by legislative act of the State of Florida in 1979. The Board is responsible for establishing and enforcing rules regarding employment for classified employees of the Santa Rosa County School Board and Santa Rosa County Board of County Commissioners. The Civil Service Board consists of five members. One member is elected by the employees of the Board of County Commissioners, one by Santa Rosa County School Board employees, one member is appointed by the Santa Rosa County Board of County Commissioners, and one member is appointed by the Santa Rosa County School Board. Collectively, these four members appoint an at-large member.

2. Fund Accounting

The accounting system of the Civil Service Board is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and financial resources, together with all related liabilities and fund balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The following is a description of the fund and account groups utilized by the Civil Service Board.

Governmental Funds

These funds utilize a modified accrual basis of accounting. The measurement focus is based upon determination of financial position and changes in financial position (sources, uses and balances of financial resources rather than upon net income determination).

The Civil Service Board's general fund is used to account for appropriations from the Santa Rosa County Board of County Commissioners and the Santa Rosa County School Board.

**Santa Rosa County, Florida
Civil Service Board**

NOTES TO FINANCIAL STATEMENTS

September 30, 1998

NOTE A - SUMMARY OF ACCOUNTING POLICIES -- CONTINUED

Account Group

General Fixed Assets Account Group - This group of accounts is used to maintain control and cost information on fixed assets and equipment owned by the Civil Service Board.

General Long-Term Debt Account Group - This group is used to establish accountability for the Civil Service Board's long-term debt. This account group reflects all long-term obligations of the Civil Service Board.

3. Basis of Accounting

Basis of accounting refers to *when* revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements and relates to the timing of the measurements made, regardless of the measurement focus applied. All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become both measurable and available as net current assets. Expenditures are recognized when the related fund liability is incurred.

4. Fixed Assets

Pursuant to the legislative act establishing the Civil Service Board, facilities and office space are provided by the Santa Rosa County Board of County Commissioners and the Santa Rosa County School Board. Fixed assets acquired by the Civil Service Board are accounted for in the general fixed assets account group.

General fixed assets acquired by the Civil Service Board are recorded as expenditures in the general fund at the time of purchase. These assets are subsequently capitalized in the general fixed assets account group. No depreciation is provided for general fixed assets. The Civil Service Board does not engage in the acquisition of public domain (infrastructure) assets.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair market value on the date donated.

**Santa Rosa County, Florida
Civil Service Board**

NOTES TO FINANCIAL STATEMENTS

September 30, 1998

NOTE A - SUMMARY OF ACCOUNTING POLICIES -- CONTINUED

5. Budgets and Budgetary Accounting

The Santa Rosa County Board of County Commissioners and Santa Rosa County School Board are required to fund equally between them the operations of the Civil Service Board, with the exception of legal fees, which are funded by the applicable taxing authority. The Civil Service Board submits an annual budget to the School Board and Board of County Commissioners. The respective Boards each provide for one-half of the Civil Service Board's budget in their annual budgets. Legal fees are funded by the taxing authorities as incurred.

The Civil Service Board prepares its annual budget on a basis consistent with generally accepted accounting principles.

6. Accumulated Unpaid Leave

The Civil Service Board does not accrue a liability for sick leave, annual leave or compensatory time in the general fund as payments on this liability will not be made with expendable available financial resources. At September 30, 1998, the liability for accumulated sick leave, annual leave and compensatory time was \$5,847, \$19,564, and \$9,158, respectively. These amounts are recorded in the general long-term debt account group of the Civil Service Board.

7. Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not used.

8. Total Column

The total column is presented to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

NOTE B - CASH

The Civil Service Board's cash deposits at year end were fully covered with federal depository insurance.

**Santa Rosa County, Florida
Civil Service Board**

NOTES TO FINANCIAL STATEMENTS

September 30, 1998

NOTE C - CHANGES IN FIXED ASSETS

	<u>Balance</u> <u>10/01/97</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>09/30/98</u>
Office furniture and equipment	<u>\$ 73,745</u>	<u>\$ 13,538</u>	<u>\$ 3,200</u>	<u>\$ 84,083</u>

NOTE D - GENERAL LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year.

Accumulated Unpaid Leave

Balance--October 1	\$ 25,296
Net change	<u>9,273</u>
Balance--September 30	<u>\$ 34,569</u>

NOTE E - RETIREMENT PLAN

Participation - Employees of the Civil Service Board participate in the Florida Retirement System, a cost-sharing multiple-employer retirement system, established by Chapter 121, Florida Statutes. Participation is compulsory for full-time and part-time employees working in regularly established positions. Elected officials may elect not to participate in the system.

Contributions - Chapter 121 requires the employer to pay all contributions (employee noncontributory) based upon state-wide rates established by the State of Florida. During 1998, the Civil Service Board contributed an average of 17.19 percent of each qualified regular employee's gross salary. The contributions during the years ended September 30, 1998, 1997, and 1996 were \$27,429, \$26,120, and \$20,802, respectively, equal to the actuarially determined contribution requirements for each year, and were funded on a pay-as-you go basis.

**Santa Rosa County, Florida
Civil Service Board**

NOTES TO FINANCIAL STATEMENTS

September 30, 1998

NOTE E - RETIREMENT PLAN -- CONTINUED

Benefit Provisions – The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The FRS provides for vesting of benefits after 10 years of creditable service. Normal retirement benefits are available to employees who retire at or after age 62 with 10 or more years of service, or to those employees who have at least 30 years of creditable service, regardless of age. Early retirement is available after 10 years of service with a 5% reduction of benefits for each year prior to the normal retirement age. Retirement benefits are based upon age, average compensation and years-of-service credit where average compensation is computed as the average of an individual's five highest years of earnings.

Financial Report of the Plan - The Florida Retirement System issues a stand-alone financial report. A copy can be obtained by contacting the State of Florida, Division of Retirement, Tallahassee, Florida.

NOTE F - OPERATING LEASE

The Civil Service Board leases its office space under a noncancelable operating lease expiring February 14, 2001. At the end of the lease term, the Civil Service Board has the option to renew the lease for a period of six months.

The future minimum rental commitments under this lease are as follows:

Year ending <u>September 30,</u>	
1999	\$ 9,840
2000	9,840
2001	<u>4,100</u>
Total minimum payments required	<u>\$ 23,780</u>

Rental expense for office space for the year ended September 30, 1998 was \$9,840.

**Santa Rosa County, Florida
Civil Service Board**

NOTES TO FINANCIAL STATEMENTS

September 30, 1998

NOTE G - RISK MANAGEMENT

The Civil Service Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Civil Service Board carries commercial insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE H – YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Civil Service Board's operations or parties the Civil Service Board conducts business with as early as fiscal year 1999. The Civil Service Board has completed an inventory of computer systems and other electronic equipment that may be affected by the year 2000 issue and that are necessary to conducting the Civil Service Board's operations. Based on this inventory, the Civil Service Board's electronic data processing systems are at the validation / testing stage. Thus far, year 2000 preparations have been conducted within normal operating budgets. No additional expenditures are anticipated for these systems outside the normal operating budget.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until year 2000 and thereafter. Management cannot assure that the Civil Service Board is or will be year 2000 ready, that the Civil Service Board's remediation efforts will be successful in whole or in part, or that parties with whom the Civil Service Board does business will be year 2000 ready.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Civil Service Board
Santa Rosa County, Florida

We have audited the financial statements of the Civil Service Board of Santa Rosa County, Florida (hereinafter referred to as "Civil Service Board"), as of and for the year ended September 30, 1998, and have issued our report thereon dated February 11, 1999, which was qualified because insufficient audit evidence exists to support the Civil Service Board's disclosures with respect to the year 2000 issue. Except as described in the preceding sentence, we conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Civil Service Board's special purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted an immaterial instance of noncompliance that we have reported to management in a separate letter dated February 11, 1999.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Civil Service Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter dated February 11, 1999.

This report is intended solely for the information and use of the Civil Service Board, management, and appropriate governmental agencies and is not intended to be and should not be used by anyone other than these specified parties.

O'Sullivan Hicks Patton, LLP

Pensacola, Florida
February 11, 1999

MANAGEMENT LETTER

Civil Service Board
Santa Rosa County, Florida

We have audited the special purpose financial statements of the Civil Service Board of Santa Rosa County, Florida (hereinafter referred to as "Civil Service Board"), as of and for the year ended September 30, 1998, and have issued our report thereon dated February 11, 1999, which was qualified because insufficient audit evidence exists to support the Civil Service Board's disclosures with respect to the year 2000 issue.

Except as discussed in the preceding paragraph, we conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

We have issued our Independent Auditor's Report On Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed In Accordance With *Government Auditing Standards* dated February 11, 1999. Disclosures in that report, if any, should be considered in conjunction with this management letter.

The Rules of the Auditor General (Section 10.554 (1) (e) 1.) require that we comment as to whether or not inaccuracies, irregularities, shortages, defalcations, and/or violations of laws, rules, regulations, and contractual provisions reported in the preceding annual financial report have been corrected. There were no such matters disclosed in the preceding annual financial audit report.

The Rules of the Auditor General (Section 10.554 (1) (e) 2.) require that we comment as to whether or not recommendations made in the preceding annual financial audit report have been implemented. The recommendation disclosed in the preceding annual financial report was implemented to our satisfaction.

As required by the Rules of the Auditor General (Section 10.554 (1) (e) 3.), the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, "Determination of Financial Emergency." In connection with our audit, we determined that the Civil Service Board is not in a state of financial emergency as a consequence of the conditions described in Section 218.503(1), Florida Statutes.

As required by the Rules of the Auditor General (Section 10.554 (1) (e) 4.), we determined that the financial information for the Civil Service Board for the fiscal year ended September 30, 1998 filed with the Department of Banking and Finance pursuant to Section 218.32, Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 1998.

The Rules of Auditor General (Sections 10.554 (1) (e) 6., 7., 8., 9.) require disclosure in the management letter of the following matters if not already addressed in the auditor's report on the internal control structure and on compliance: recommendations to improve financial management, accounting procedures and internal controls; violations of laws, rules, and regulations which may or may not materially affect the financial statements; illegal or improper expenditures which may or may not materially affect the financial statements; improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); failures to properly record financial transactions; and other inaccuracies, irregularities, shortages, and defalcations discovered by the auditor. Our audit disclosed the matters listed in the accompanying schedule of current year management comments, which are required to be disclosed by Rules of Auditor General (Sections 10.554 (1)(f)6., 7., 8., 9.).

The Rules of the Auditor General (Section 10.554 (1) (e) 10.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. The legal authority for the Civil Service Board of Santa Rosa County, Florida, is disclosed in Note A to the financial statements. There are no component units related to the Civil Service Board.

This report is intended solely for the information and use of the Civil Service Board, management, and appropriate governmental agencies and is not intended to be and should not be used by anyone other than these specified parties.

O'Sullivan Nicks Patton, LLP

Pensacola, Florida
February 11, 1999

**Santa Rosa County, Florida
Civil Service Board**

SCHEDULE OF CURRENT YEAR MANAGEMENT COMMENTS

98-1 – CHART OF ACCOUNTS

Finding - Florida Statute 218.33 requires that local governments use the Uniform Accounting System Chart of Accounts as the standard for recording and reporting financial information. During our audit, we noted that the Civil Service Board's chart of accounts does not agree with the chart of account structure required by Florida Statute 218.33.

Recommendation – Although the account structure is adequate for internal financial reporting purposes, we recommend the Civil Service Board modify its chart of accounts to comply with the requirements of the Uniform Accounting System.

98-2 – SEGREGATION OF DUTIES

Finding - Because of a limited number of available personnel within the office, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records, or to all phases of a transaction. Consequently, the possibility exists that unintentional or intentional errors or irregularities could exist and not be promptly detected.

While reviewing the Civil Service Board's procedures for cash receipts and disbursements, we noted the following:

- The Administrative Assistant performs all of the functions relating to cash receipts. She writes up the bank deposits, makes the deposit at the bank, and records the deposit in the accounting system.
- The Administrative Assistant also prepares checks for payment and, after they are signed, mails the checks.

Recommendation - Although our audit did not reveal any significant errors or irregularities resulting from this lack of separation of employee duties and responsibilities, we do feel that it is important that you are made aware of these conditions. Therefore, we recommend the following:

- The duties relating to cash receipts should be divided so that individuals preparing and making cash deposits do not also have access to the accounting records.

- Someone separate from the check preparation process should mail the cash disbursement checks.

98-3 – RECEIPTS

Finding - While reviewing the Civil Service Board's procedures for cash receipts we noted the following:

- Receipts for miscellaneous transactions are not written.
- The Civil Service Board's policy of photocopying checks received is not followed consistently.
- There is no documentation on invoices denoting review and approval for payment.

Recommendation - We recommend the following:

- A receipt should be written and given to the payee for every receipt transaction.
- All checks received should be photocopied to be maintained in the Civil Service Board's records consistent with the Civil Service Board's policy.
- Approval of invoices for payment should be documented on the invoice itself. The check number and date of payment should also be documented on the invoice.

98-4 – BANK RECONCILIATIONS

Finding – When testing the Civil Service Board's cash balances, we noted that the Civil Service Board did not prepare bank reconciliations.

Recommendation - We recommend the Civil Service Board reconcile the bank account for every month as part of the monthly routine accounting process. Preparation of the bank reconciliation is necessary to insure that all cash transactions are correctly recorded.